

**THE STRATEGIC DEVELOPMENT OF MULTICULTURAL
COMPETENCIES THROUGH A BALANCED SCORECARD
APPROACH**

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ABSTRACT

The need to develop a clear understanding of multicultural competencies is essential to fully develop a strategic approach to human capital management (HCM). As Slovak workplaces become more diverse, culture and intercultural management has gained greater significance and the adoption of a strategic approach is now critical to the success and competitive advantage of the organisation. Moreover, it is necessary to address this field of management to ensure the high performance of organisations, especially those operating within a global setting. The focus of the research is on the identification of multicultural competencies in the context of Slovak industrial enterprises to measure and identify linkages between cultural aspects and the strategic business performance.

KEY WORDS

Globalisation, Multiculturalism, Industrial Enterprises, Balanced Score Card, Human Capital Management, Performance

INTRODUCTION

The trend towards globalisation has resulted in an increased need to focus on the development of multicultural competencies for the effective management of organisations. This need has been accelerated in the context of Slovak enterprises due to recent accession to the EU and an influx of Foreign Direct Investment (FDI). As workplaces in Slovakia have become more diverse, multicultural management and intercultural management competencies have gained increased prominence.

The number of enterprises operating in increasingly competitive global market has resulted in the need to adapt the traditional role of Human Resource Management (HRM) and emphasise Strategic Human Capital Management (HCM), whereby employees are regarded as the most important asset of an organisation [1]. This paper focuses on research conducted

amongst employees in Slovak enterprises and the aim is to develop a clear understanding of the role of multicultural management competencies and the implementation of HCM practices. The initial findings represent the preliminary research and will inform the basis of further research to apply a methodical approach with the application of a balanced scorecard [2] to ensure multicultural competencies are linked with the overall business strategy and vision.

MULTICULTURAL PRACTICES IN THE SLOVAK REPUBLIC

The rapid globalisation of the Slovak economic system has led to large scale FDI with numerous MNC's including Peugeot-Citroen, Kia and Volkswagen opening subsidiaries in recent years. To harmonise management within both the Slovak subsidiary and the corporate entity it is necessary to understand and appreciate the role of culture at both a national and corporate level. As culture is applied to both nations and organisations a clear distinction between national and corporate culture is necessary. Schein [3] referred to organisational culture and corporate culture interchangeably and described it as being comprised of "the attitudes, experiences, beliefs and values of an organisation", whereas Deal and Kennedy ([4] described culture as "a system of informal rules".

MULTICULTURAL MANAGEMENT COMPETENCY DEVELOPMENT

Several academics have identified a clear relationship between company performance and management competencies. The human capital of an enterprise refers to the people who work for the organisation and who ensure its continued success [5]. Whilst the notion of human capital was originally proposed by Beer et al [6], it has become increasingly more popular in recent years, as organisations operating in globally competitive marketplaces and face increased pressure to strategise. Kanter and Dretler [7] argue that human capital should be measured in terms of management competencies, stating the role of effective communication and developing new routes of communication as of critical importance, whereas, McCall and Hollenbeck [8] and Kuhlmann and Stahl [9] emphasise the role of tolerance, openness and understanding cultural ambiguity. In an online questionnaire by Woolliscroft et al [10], 132 professionals in Slovakia were surveyed and a matrix of 20 key management competencies developed:

MATRIX OF 20 KEY MANAGEMENT COMPETENCIES

Table 1

Communication	Openness of thinking	Language competency	Social competency	Culture consciousness
Ethics	Ability to manage diversity	Cultural empathy	Tolerance towards ambiguity	Honour and integrity
Ability to collaborate	Flexibility	Managing unpredictable situations	Professional excellence	General management skills
Life-long learning	Resourcefulness	Self-confidence	Critical thinking	Managing stereotypes

Woolliscroft et al [10]

STRATEGIC HUMAN CAPITAL MANAGEMENT

Armstrong [1] states that HRM requires *a strategic and coherent approach to the management of an organisation's most valued assets – the people*'. This argument is further

developed by Glisby and Holden [11], who state that knowledge possessed by people within an organisation, or “tacit” knowledge, represents a genuine source of competitive advantage, however it is critical to translate the “tacit” to “explicit” knowledge, thus allowing it to be measured, and aligned to the overall strategic vision of the company. The process of developing a clear linkage between the activities (actions) of managers within their daily roles and the overall strategy and vision of the organisation is depicted in Figure 1. The hierarchy indicates an upward chain of interactions starting with the daily “actions” of individual managers, which are primarily assessed by individual KPIs. The individual managers KPIs are subsequently aligned with the CSFs (Critical Success Factors) of the organisation to ensure actions are linked with overall company success. Finally the CSFs are aligned with the organisational objectives, strategy and vision.



Fig. 1 Hierarchy of Strategic Management Development: Mind tools [12]

As a means of implementing the strategic management hierarchy into practice it is possible to develop and utilise a balanced scorecard approach as initially proposed by Kaplan and Norton [2]. The methodology consists of the four strategic areas of financial, customers, growth and learning and the internal business processes. For each of the areas it is necessary for the organisation to outline their actions, KPIs, CSFs and objectives as shown in Figure 1. The adoption of a balanced scorecard approach enables a strategic perspective to be taken with regards to management competencies. Figure 2 [13] illustrates that the three fundamental pillars of creating long-term shareholder value are human capital, information capital and organisational capital, with these processes underlining the subsequent internal processes and customer centric activities.

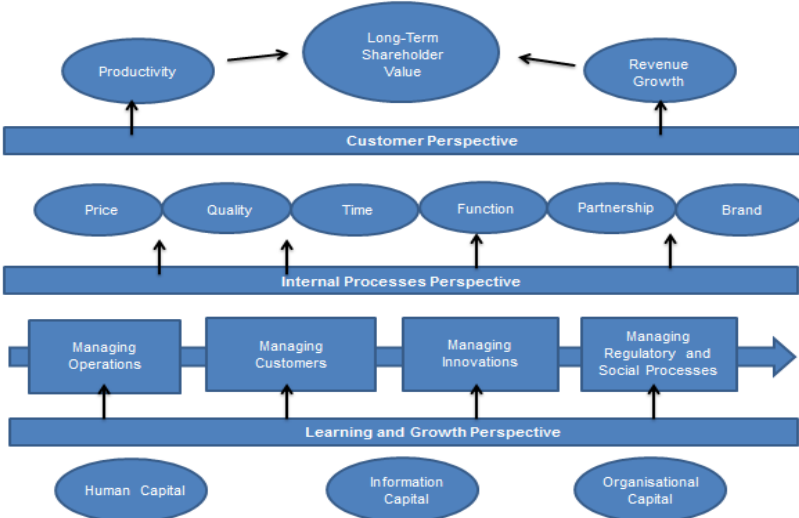


Fig. 2 A systematic balanced scorecard approach: Marr [13]

Figure 2 illustrates that the learning and growth perspective, representing the explicit and tacit knowledge of the organisation, is the foundation of shareholder value and without this information the subsequent internal process of managing operations, customers, innovations and process regulations and the attributes from a customer perspective would not be achievable. As a result, whilst the core pillars of learning and growth are not explicitly linked with productivity and revenue growth they underpin all the other activities and therefore should be given strategic importance within the organisation.

METHODOLOGY AND FINDINGS

The preliminary research study was conducted by means of a structured online administered questionnaire of 132 employees within industrial enterprises, research institutions and universities in Slovakia. The research was carried out during the autumn and winter of 2011. The questionnaire was designed specifically to measure responses relating to the importance of key managerial competencies initially identified by Woolliscroft et al [10]. The study focused predominately upon the identification and ranking of management competencies. As a result the research to date was exploratory and is intended to represent a starting point for more in-depth research leading to the PhD thesis.

WEIGHTED AVERAGE SCORE INDICATING THE MOST IMPORTANT COMPETENCIES FOR SLOVAK MANAGERS

Table 2

Competency area	Weighted arithmetic average	Standard Deviation
Social competency	4.25	0.736436
Communicative competency	4.540323	0.573602
Tolerance towards ambiguity	4.145161	0.820047
Critical thinking	3.637097	0.81651
Culture empathy	4.169355	0.78001
Professional excellency	3.91129	1.047363
Language competency	4.306452	0.774362
Flexibility	4.129032	0.792787
Ability to collaborate with and lead individuals	4.112903	0.785038
Ability to manage diversity	4.177419	0.730095
Self-confidence/independence	3.717742	0.903046
General managerial skills	3.862903	0.864485
Openness towards other ways of thinking	4.314516	0.765874
Resourcefulness	3.790323	0.825737
Life-long learning	3.798387	0.999837
Culture consciousness (sensitivity, adaptability)	4.233871	0.708347
Ethics	4.193548	0.789829
Honour, truthfulness and integrity	4.104839	0.850223
Managing stereotypes	3.491935	0.954581
Managing unpredictable situations	3.951613	0.914532

5	very important
4	Important
3	neither important nor unimportant
2	less important
1	Unimportant

It is evident from the findings shown above that within Slovak enterprises the greatest emphasis is placed upon language, social and communication competency which all score as important. This reflects the limited usage of native languages when operating globally and the need to utilise additional languages when working in a multicultural environment. It should be highlighted that the majority of the above competencies can be regarded as important irrespective of the multicultural nature of the workplace. As a result a model of Multicultural Human Capital Management (MHCM) will be developed in order to identify those competencies which uniquely add value to the organisation through their multicultural nature. Furthermore, by drawing clear linkages between the multicultural competencies and the balanced scorecard elements of „learning and growth“, „internal processes“, „customer“ and „financial“ [13], the knowledge management process is valuable to ensure that the competencies develop strategic importance within the context of multicultural management.

CONCLUSIONS AND FURTHER RESEARCH

As a result of the findings to date, competencies can be identified which are of importance for Slovak enterprises. The overall objective of the research however, is to investigate more deeply and develop a structured framework of knowledge management which clearly links competencies of multicultural managers with the strategy and vision of the organisation. The next stage will form the main body of research for the PhD thesis and will comprise a large-scale online-administered survey of 250+ managers within industrial enterprises in Slovakia. This will not represent simply a follow-up study as the focus will be on industrial enterprises not including research institutions. The study will build upon the research to date and the objective will be to develop a model which enables tacit knowledge to be translated to explicit knowledge and to establish clear linkages to the overall strategy, ensuring tacit knowledge is measurable and the role elevated to strategic importance.

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